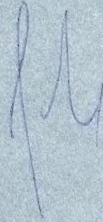



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ANNUAL REPORT

For the year ended December 31, 1972


BLACK HAWK
MINING LTD.
(No Personal Liability)



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BLACK HAWK MINING LTD.

(No Personal Liability)

AND ITS WHOLLY-OWNED SUBSIDIARY

Officers

W. Noel O'Brien, P.Eng.	-	-	-	-	-	-	-	-	-	-	President
A. F. Risso	-	-	-	-	-	-	-	-	-	-	Secretary
F. W. Boulger	-	-	-	-	-	-	-	-	-	-	Treasurer
A. F. Casselman	-	-	-	-	-	-	-	-	-	-	Assistant Secretary-Treasurer

Directors

F. W. Boulger	-	-	-	-	-	-	-	-	-	-	Toronto
John S. Grant, Q.C.	-	-	-	-	-	-	-	-	-	-	Toronto
Joseph M. Kirschbaum, LL.D., Ph.D.	-	-	-	-	-	-	-	-	-	-	Toronto
John Kostuik, B.Sc.	-	-	-	-	-	-	-	-	-	-	Toronto
W. Noel O'Brien, P.Eng.	-	-	-	-	-	-	-	-	-	-	Toronto
Joseph A. Patrick	-	-	-	-	-	-	-	-	-	-	New York
A. F. Risso	-	-	-	-	-	-	-	-	-	-	Toronto

Head Office

Suite 102
400 St. James Street West
Montreal 1, Quebec

Executive Offices

20th Floor
4 King Street West
Toronto, Ontario
M5H 1C2

Transfer Agent

Guaranty Trust Company of Canada
Toronto, Ontario
Montreal, Quebec

Auditors

Starkman, Kraft, Rothman,
Berger & Grill
Toronto, Ontario

Solicitors

Manley, Grant & Camisso
Toronto, Ontario

Bankers

The Royal Bank of Canada
Toronto, Ontario

Black Hawk Corporation

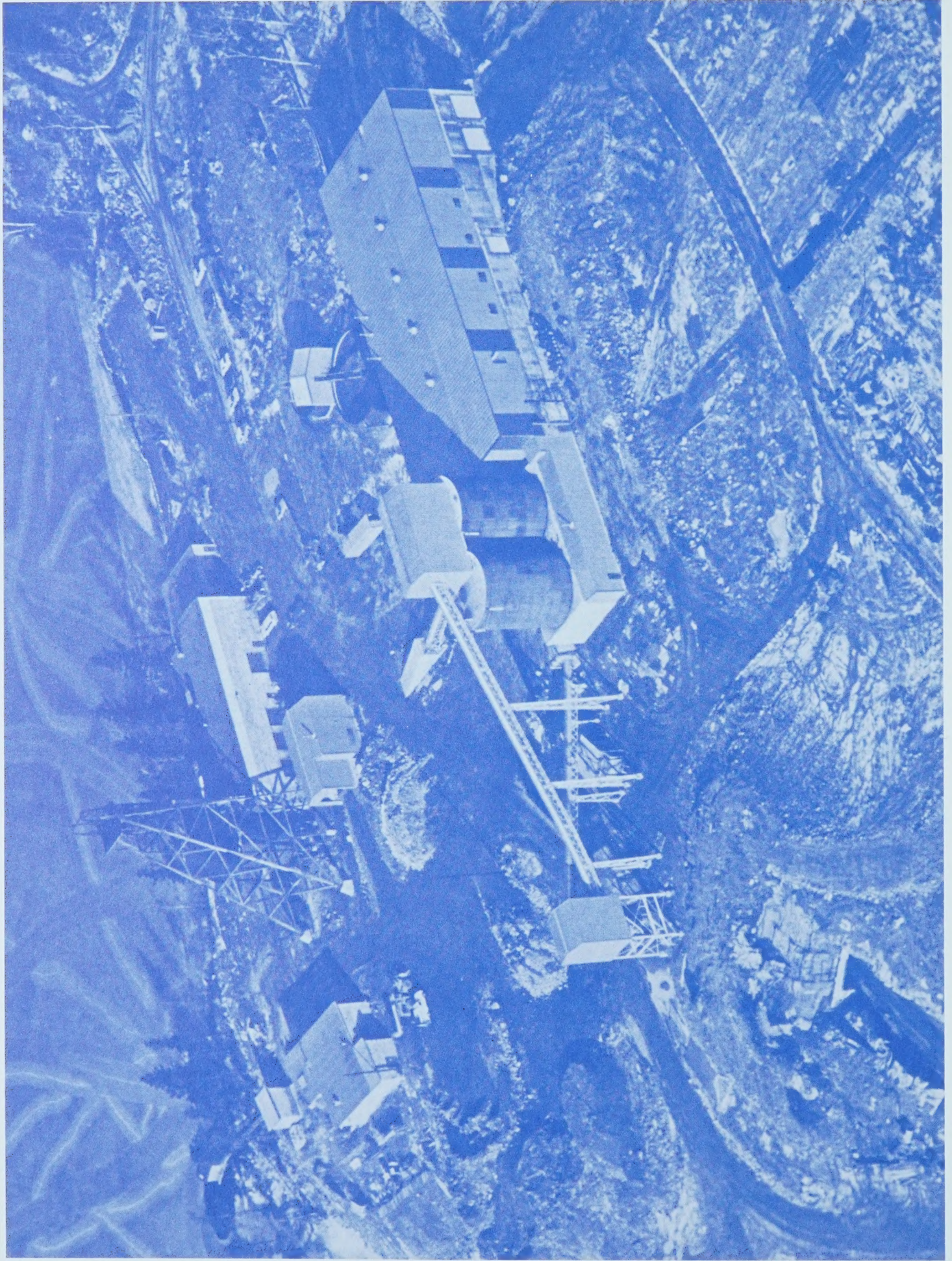
a wholly owned subsidiary of Black Hawk Mining Ltd.
incorporated in the State of Maine, U.S.A.

Directors and Officers

W. Noel O'Brien, P.Eng., President	-	-	-	-	-	-	-	-	-	Toronto
A. F. Risso, Secretary	-	-	-	-	-	-	-	-	-	Toronto
A. F. Casselman	-	-	-	-	-	-	-	-	-	Montreal
F. W. Boulger, Treasurer	-	-	-	-	-	-	-	-	-	Toronto
J. M. Kirschbaum, LL.D., Ph.D.	-	-	-	-	-	-	-	-	-	Toronto
Harris L. McLean, Jr.	-	-	-	-	-	-	-	-	-	Ellsworth, Maine
Kenneth W. Blaisdell, Clerk	-	-	-	-	-	-	-	-	-	Ellsworth, Maine

HEAD OFFICE: 6 State Street, Ellsworth, Maine

EXECUTIVE OFFICES: 4 King Street West, Toronto, Ontario



Aerial view of the Blue Hill mine — December 1972. Mine portal is visible at lower left

BLACK HAWK MINING LTD.

(No Personal Liability)

AND ITS WHOLLY-OWNED SUBSIDIARY BLACK HAWK CORPORATION

President's Report

TO THE SHAREHOLDERS:

An Annual and a Special Meeting of Shareholders of Black Hawk Mining Ltd. (No Personal Liability) will be held on March 23, 1973 at 11:00 a.m. (Montreal Time) in the Blue Room of the Windsor Hotel, Montreal, Quebec.

Notice of meeting is enclosed for your attention, together with an Information Circular, an instrument of proxy, the consolidated balance sheet of the Company and its wholly owned subsidiary as at December 31, 1972, the consolidated statements of exploration and development and corporate expenses for the period ended that date, and a statement of consolidated source and application of funds as reported upon by the Company's auditors.

The year 1972 was an eventful and successful period in the development of the zinc and copper deposits at Blue Hill, Maine. As a result of your Company's efforts over several years to develop these valuable resources, the Blue Hill mine began production of zinc and copper concentrates in late 1972 as a joint venture with Kerramerican Inc. On completion of its commitment to finance and bring the properties to production, Kerramerican Inc., a wholly-owned subsidiary of Kerr Addison Mines Limited, now has earned a 60 per cent interest in the Blue Hill property and operations. Operations are managed by Kerramerican.

Treatment of zinc concentrates by National Zinc Company, Oklahoma began in December and regular shipments of concentrates will continue during 1973; copper concentrates will be treated at Gaspé, Quebec. The Blue Hill concentrator is operating at approximately 950 tons daily, 5 days weekly and is expected to process 1,000 tons daily, 7 days weekly during the second half of 1973. Access to the underground workings by adit, an inclined excavation and roadway, for the mobile, rubber-tired haulage, loading and drill units gives great flexibility in the development of the mining zones.

Ore reserves at year end were:

	Tons (dilution included)	% Zinc	% Copper
MAIN ZONE	682,000	14.0	0.4
	223,000	9.4	1.4
OTHER ZONES	147,000	15.9	1.1
	366,000	1.2	2.1
	150,000	—	2.2
TOTAL:	<u>1,568,000</u>		

A substantial surface diamond drilling program began in late 1972 and has been approved for continuance through 1973. This will include drilling the main zone while ice conditions on Second Pond are favorable.

In summary, 1973 will be a most active year at the Blue Hill mine as operations reach their design capacity and additional information results from the drilling program.

On behalf of the Board of Directors.

Toronto, Ontario
February 15, 1973

Noel O'Brien
President

BLACK HAWK

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AND ITS WHOLLY

Black Hawk

Consolidated Balance Sheet

(With comparative

ASSETS

	1972	1971
Current Assets		
Cash	\$ 2,119	\$ 2,259
Concentrates on hand, at lower of cost or net realizable value	241,121	—
Prepaid expenses	19,154	252
Accounts receivable	173	2,862
	<u>262,567</u>	<u>5,373</u>
Interest in Blue Hill Joint Venture, at cost (Notes 4, 5 and 10)		
Investment	4,398,367	—
Share of exploration expenditures	29,000	—
	<u>4,427,367</u>	<u>—</u>
Mining Properties, Buildings and Equipment, at cost (Note 4)	<u>—</u>	<u>928,845</u>
Other Assets and Deferred Expenses, at cost		
Furniture and fixtures, at nominal value	1	1
Deferred corporate expenses (Note 4)	90,185	1,578,203
Organization expenses	5,441	5,441
Bond discount and financing expenses	204,284	204,284
Deferred exploration and development expenses (Note 4)	—	1,678,122
Materials and supplies on hand, at average cost (Note 4)	—	25,125
	<u>299,911</u>	<u>3,491,176</u>
	<u>\$4,989,845</u>	<u>\$4,425,394</u>

Approved on behalf of the Board:

W. NOEL O'BRIEN, Director.

A. F. RISSO, Director.

The accompanying notes form an integral part of these financial statements.

AUDITOR

We have examined the consolidated balance sheet of Black Hawk Mining Ltd. at December 31, 1972 and the consolidated statements of deferred exploration and development costs for the year then ended. Our examination included a general review of the accounting records and procedures considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company at the year then ended, in accordance with generally accepted accounting principles.

Toronto, Ontario
January 5, 1973

K MINING LTD.

Liability)
OWNED SUBSIDIARY

Corporation

as at December 31, 1972

(figures for 1971)

LIABILITIES

Current Liabilities	1972	1971
Accounts payable and accrued charges	\$ 12,899	\$ 5,790
Advances from Denison Mines Limited	227,475	210,464
Accrued interest on debentures and advances (Note 1)	1,311,590	1,059,239
Due to joint venture partner, Kerramerican, Inc.	287,980	—
	<u>1,839,944</u>	<u>1,275,493</u>
 Long-Term Debt		
6½ % Debentures, Series A, due June 30, 1974 (Notes 1 and 7)	2,735,000	2,735,000
	<u>4,574,944</u>	<u>4,010,493</u>

SHAREHOLDERS' EQUITY

Capital			
Authorized			
5,000,000 Shares with a par value of \$1 each			
Issued and Fully Paid			
1,200,000 Shares for mining claims and options thereon	\$1,200,000		
Less: Discount thereon	<u>1,080,000</u>	120,000	120,000
400,000 Shares for acquisition of wholly-owned subsidiary	400,000		
Less: Discount thereon	<u>373,031</u>	26,969	26,969
2,719,009 Shares for cash	2,719,009		
Less: Discount thereon	<u>2,267,154</u>	451,855	451,855
<u>4,319,009</u>		<u>598,824</u>	<u>598,824</u>
Deficit		183,923	183,923
		<u>414,901</u>	<u>414,901</u>
		<u>\$4,989,845</u>	<u>\$4,425,394</u>

REPORT

No Personal Liability) and its wholly-owned subsidiary Black Hawk Corporation as
ment expenses, deferred corporate expenses and source and application of funds for
edures and such tests of accounting records and other supporting evidence as we

osition of the company as at December 31, 1972 and the results of its operations and
ly accepted accounting principles applied on a basis consistent with that of the

spectfully submitted,

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL,
Chartered Accountants.

BLACK HAWK MINING LTD.

(No Personal Liability)

AND ITS WHOLLY-OWNED SUBSIDIARY BLACK HAWK CORPORATION

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENSES

For the year ended December 31, 1972

(With comparative figures for 1971)

Blue Hill Area, State of Maine, U.S.A.	1972	1971
Materials and supplies	\$ 25,125	—
General field expenses	765	\$ 1,577
	25,890	1,577
Balance Deferred, beginning of year	1,678,122	1,676,545
Balance Deferred, end of year (Note 4)	\$1,704,012	\$1,678,122

CONSOLIDATED STATEMENT OF DEFERRED CORPORATE EXPENSES

For the year ended December 31, 1972

(With comparative figures for 1971)

	1972	1971
Registrars' and transfer agents' fees and expenses	\$ 3,545	\$ 4,321
Legal and audit fees and expenses	8,842	3,784
Capital and place of business tax	70	70
Interest on debentures	238,441	226,885
Interest, other	13,911	12,901
Administration	11,475	10,296
Travelling expenses	1,018	551
General expenses	190	254
	277,492	259,062
Balance Deferred, beginning of year	1,578,203	1,319,141
	1,855,695	1,578,203
Less: Amount allocated to interest in Blue Hill Joint Venture (Note 4)	1,765,510	—
Balance Deferred, end of year	\$ 90,185	\$1,578,203

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended December 31, 1972
(With comparative figures for 1971)

Source of Funds	1972	1971
Refund of statutory deposits	—	\$ 32,034
 Application of Funds		
Exploration and development expenses	\$ 765	1,577
Corporate expenses	277,492	259,062
Share of joint venture exploration expenditures	29,000	—
	<u>307,257</u>	<u>260,639</u>
Decrease in Working Capital	307,257	228,605
Working Capital Deficiency, beginning of year	1,270,120	1,041,515
Working Capital Deficiency, end of year	<u>\$1,577,377</u>	<u>\$1,270,120</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1972

1. (a) Under the provisions of the Trust Indenture dated July 15, 1965, securing the Debentures Series "A":
 - (i) \$5,000,000 6½ % Debentures Series "A" have been authorized maturing June 30, 1974;
 - (ii) The company is required to make sinking fund payments on or before April 15 in each year equal to the consolidated net cash flow from operations (as defined) in the preceding twelve month period ending December 31;
 - (iii) The company and any subsidiaries may not pay any dividends or make any other distributions on shares without the prior written consent of the debentures holders.
- (b) In accordance with an agreement dated August 7, 1964;
 - (i) Denison Mines Limited (Denison) has purchased \$2,735,000 6½ % Debentures Series "A" and 150,000 shares of the capital stock of the company (valued at \$62,500) for a cash consideration of \$2,666,625;
 - (ii) If Denison determines that further work is required on the company's mining lands then Denison agrees to provide the financing therefor through purchase of debentures and shares of the company on the terms and conditions set out in the said agreement.
- (c) Interest on the 6½ % Debentures due June 30, 1974 is in arrears from January 1, 1967, in the amount of \$1,257,178. The Trust Indenture under which the Debentures were issued provides that the security constituted thereunder becomes enforceable on the happening of certain events of default as therein defined. One of these is default in the making of payment of any interest due and continuation of such default for 15 days after written notice thereof. Such notice has not been given by the Trustee. All of the issued Debentures are held by the major shareholder of the company, Denison Mines Limited.

BLACK HAWK MINING LTD.

(No Personal Liability)

AND ITS WHOLLY-OWNED SUBSIDIARY BLACK HAWK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 1972

2. The company has reserved 100,000 treasury shares for incentive options exercisable at \$1 per share on dates to be determined by the company. Options were granted on 92,500 shares of which 30,000 shares were exercised in a prior year and 47,500 shares were forfeited.

3. The subsidiary being a United States company, its current assets and liabilities in United States dollars have been translated into Canadian dollars at the rate of exchange at December 31, 1972 and all other assets are at the rate current at date of expenditure.

The subsidiary was acquired during the year ended April 30, 1965 and the consolidated figures as at December 31, 1972 include the exploration and development expenses and corporate expenses of the subsidiary, prior to acquisition.

4. Pursuant to an agreement dated September 1, 1970 (and subsequently amended), a joint venture in which the company's wholly-owned subsidiary has a 40% interest has been formed with Kerramerican, Inc. (a subsidiary of Kerr Addison Mines Limited) as at November 3, 1972 to explore, develop and work the subsidiary's properties in Blue Hill, Maine.

The subsidiary has contributed to such joint venture all its mining properties, buildings, equipment and supplies in Maine. The cost of the company's investment in the joint venture is its cost of the properties including deferred expenses as follows:

Mining properties, buildings and equipment	\$ 928,845
Deferred exploration and development expenses	1,704,012
Deferred administrative expenses	1,765,510
	<u>\$4,398,367</u>

5. Mining leases are held by the joint venture under annually renewable leases requiring rental payments and a 5% participation in the net value, as defined in the various leasing agreements, of the minerals and metals removed from the leased premises.
6. The company has arranged a bank loan of up to \$600,000 to be used to finance its share of certain of the joint venture operating expenditures.
7. Pursuant to an agreement dated September 30, 1970, the company's debentures holder, Denison Mines Limited, has discharged the charges contained in the Trust Indenture referred to in Note 1, insofar as such charges extend to the properties in Maine, during the term of the agreement referred to in Note 4.
- The company will use the proceeds of all monies received from production of the properties to first repay the bank loan and thereafter the debentures, accrued interest and advances to Denison Mines Limited.
8. The amounts shown for deferred expenses represent costs to date less amounts written off and are not intended to reflect present or future values.
9. For United States federal income tax purposes the subsidiary has elected to defer exploration and development expenditures incurred in prior years and to deduct such expenses ratably as the minerals or ores benefited are sold. The subsidiary has filed amended tax returns for such prior years with the United States Internal Revenue Department to reflect such election.
10. The subsidiary intends to amortize the costs of its interest in the Blue Hill Joint Venture attributable to the deferred exploration and development expenses and deferred administrative expenses as income is received from the joint venture.

